COMPANY RESULTS

Telekom Malaysia (T MK)

2Q25: Within Expectations; Strong Revenue Pipeline For C2C And B2B In 2H25

TM's 2Q25 core net profit of RM438m (+10% yoy; +11% qoq) was well within our and street expectations. 2Q25 revenue fell to RM2,772m (-5% yoy; -3%), being adversely affected by softer demand for TM Global's services and subdued Unifi performance. Net profit, however, was lifted by cost discipline, from moderated staff costs and lower depreciation charges. Maintain HOLD with a DCF-based target price of RM7.00.

2Q25 RESULTS

Year to 31 Dec (RMm)	2Q25	qoq % chg	yoy % chg	1H25	yoy % chg
Turnover	2,771.9	(2.8)	(4.7)	5,623.4	(2.1)
COGS	(1,717.1)	(4.5)	(5.3)	(3,515.0)	0.9
EBITDA	1,136.7	4.4	(1.3)	2,225.9	(4.9)
Pre-Tax Profit	561.6	5.2	(0.7)	1,095.6	(3.7)
Tax	(159.6)	21.6	(1.2)	(290.8)	(4.9)
Reported Net Profit	403.0	0.4	1.7	804.2	(2.1)
Core Net profit	**438.1**	**11.4**	**10.1**	**847.1**	**6.5**
	2Q25	**+/- ppt**	**+/- ppt**	**1H25**	**+/- ppt**
EBITDA Margin (%)	41.4	3.6	2.6	39.6	(0.1)
PBT Margin (%)	21.7	2.9	2.2	20.2	0.8
Core Net Margin (%)	15.8	2.0	2.1	15.1	1.2
Segmental Revenue Breakdown	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**
Unifi	47.7%	47.9%	47.7%	48.6%	49.7%
TM One	25.5%	24.4%	25.6%	23.5%	24.2%
TM Global	25.8%	27.0%	25.6%	26.7%	25.1%
Others	1.0%	0.8%	1.1%	1.2%	1.1%

Source: TM, UOB Kay Hian

RESULTS

- **2Q25 results within expectations.** Telekom Malaysia (TM) reported a 2Q25 net profit of RM403.0m (+2% yoy; flat qoq). Stripping out forex losses amounting to RM35.1m, core net profit rose 10% yoy and 11% qoq to RM438.1m. For 1H25, core net profit reached RM847.1m (+7% yoy), accounting for 50% of both our and consensus full-year estimates.
- **First interim dividend payout.** Positively, the board declared an interim dividend of 12.5 sen/share (1H24: 12.5 sen/share), on the back of cost discipline and a healthy balance sheet (1H25: 0.66x net debt/EBITDA). We project TM to pay out a total dividend of 31.4 sen/share – based on our estimated 70% dividend payout, the stock offers a dividend yield of 4.7%.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	11,690.2	11,712.4	12,525.4	13,015.7	13,532.8
EBITDA	4,502.0	4,474.0	4,641.4	4,769.4	4,905.6
Operating profit	1,706.3	2,324.6	2,484.3	2,645.3	2,818.3
Net profit (rep./act.)	1,870.5	2,016.9	1,705.7	1,789.0	1,911.9
Net profit (adj.)	1,801.1	1,728.4	1,705.7	1,789.0	1,911.9
EPS (sen)	46.9	45.0	44.4	46.6	49.8
PE (x)	15.0	15.6	14.8	14.1	13.2
P/B (x)	2.9	2.7	2.4	2.3	2.2
EV/EBITDA (x)	6.4	6.1	5.5	5.2	4.8
Dividend yield (%)	2.9	4.4	4.7	5.0	5.3
Net margin (%)	13.3	13.2	13.8	13.9	14.1
Net debt/(cash) to equity (%)	19.7	3.9	(1.6)	(8.8)	(15.9)
Interest cover (x)	3.6	5.4	5.4	5.0	4.8
ROE (%)	19.7	17.1	16.1	16.0	16.3
Consensus net profit	-	-	1,705.0	1,796.0	1,854.0
UOBKH/Consensus (x)	-	-	1.0	1.0	1.0

Source: TM, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM7.02
Target Price	RM7.00
Upside	-0.3%

COMPANY DESCRIPTION

Fixed line operator that provides services including fixed voice, mobile, fixed broadband, and leasing of fibre optics. It also provides ICT solutions to corporates/SMEs.

STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	T MK
Shares issued (m):	3,837.7
Market cap (RMm):	26,940.9
Market cap (US$m):	6,376.1
3-mth avg daily t'over (US$m):	12.8

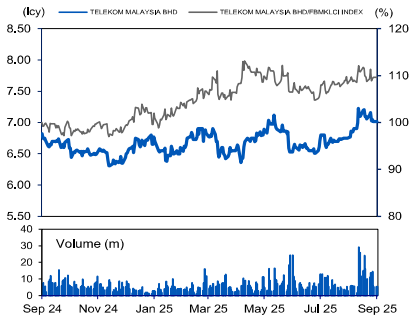
Price Performance (%)

52-week high/low RM7.27/RM6.19

1mth	3mth	6mth	1yr	YTD
4.0	6.5	2.8	3.5	5.6

Major Shareholders	**%**
Employees Provident Fund	21.5
Khazanah Nasional Bhd	20.1
Kumpulan Wang Persaraan	10.2
FY25F NAV/Share (RM)	2.77
FY25F Net Cash/Share (RM)	0.04

PRICE CHART



Source: Bloomberg

ANALYST(S)

Chong Lee Len
+603-2147 1992
leelen@uobkayhian.com

STOCK IMPACT

- **Unifi's 2Q25 revenue fell marginally by to RM 1,377m (-1% qoq; -1% yoy)** despite a net add of 3,000 customers in 1Q25 (total subscribers: 3.2m). This is due to aggressive bundling campaigns (device and content) and a higher take-up of competitive entry-level plans, leading to a 2% qoq ARPU decline to RM125/month (1Q25: RM127/month; 4Q24: RM134/month).
- **TM One: Solid growth in cloud, ICT and digital solutions.** 2Q25 revenue dropped 9% yoy to RM671m owing to a one-off arbitration settlement in 2Q24. Sequential revenue remained stable, supported by continued growth in cloud, ICT, and digital solutions. This momentum is expected to accelerate in the second half of 2025, driven by the execution of several major projects currently in the pipeline.
- **TM Global.** 2Q25 revenue declined 8% yoy and 9% qoq due to reduced global voice traffic, a slowdown in managed services projects and lower indefeasible right-of-use (IRU) lease revenue. TM Global's outlook for the second half of 2025 remains robust, underpinned by a strong pipeline of large-scale cross-border bandwidth demand, ongoing data centre expansion, and accelerated delivery of 5G mobile backhaul services.
- **2Q25 core EBITDA margin rose 4ppt qoq to 41%,** primarily attributable to reduced staff cost, reflecting the effect of its manpower optimisation exercise in 2024 and further complemented by prudent cost management. The group remains confident in meeting its 2025 EBIT guidance, supported by increasing contributions from high-margin services and positive operating leverage.

EARNINGS REVISION/RISK

- No revision to earnings.
- **TM inks a RM2.4b contract with UMobile to deliver 5G mobile backhaul services.** TM has entered a 10-year strategic partnership with UMobile valued at RM2.4b to support the deployment of Malaysia's second 5G network. The agreement encompasses backhaul infrastructure services, including leased line access to U Mobile's 5G Radio Access Network, data centre connectivity for Points of Interconnect, and inter-regional network support throughout the contract duration. This contract is expected to contribute annual revenue and net profit impact of approximately 2% and 1% respectively.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a DCF-based target price of RM7.00.** Our target price has factored in a 64MW JV data centre with Singapore Telecommunications. The 64MW data centre will be a four-storey building and is expected to be operational in 2026. A blue-sky scenario (200MW DC) implies a fair value of RM7.80 but we believe this will only materialise in 2030.
- **Key risk.** A recession may dampen TM One's corporate sales and lead to heightened risks of ballooning trade receivables.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

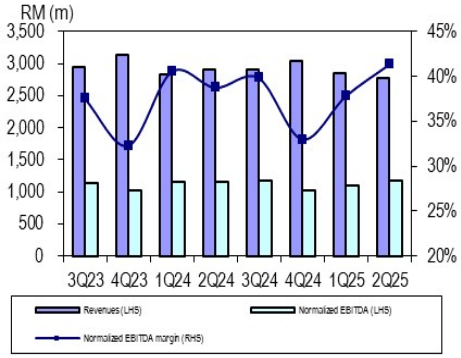
• **Environmental**
- Achieved 30% carbon emission reduction from 2019 baseline in 2024 through managing direct emissions, reducing energy-related emissions and adopting renewable energy generation.
• **Social**
- Contributed nearly RM1.2m (through Yayasan TM and partnerships) to provide humanitarian relief efforts nationwide, assisting over 25,000 people from the affected communities.
• **Governance**
- Good company transparency along with an anti-bribery and anti-corruption policy. - Integrity screening on background of new vendors through MACC's Integrity Screening E-System.

PERFORMANCE GUIDANCE FOR 2025

	FY2024	FY2025 Guidance
Revenue Growth	+0.2%	Low single digit increase
EBIT	RM2.325bil	Similar level to 2024
Capex/ Revenue	13.6%	14%-16%

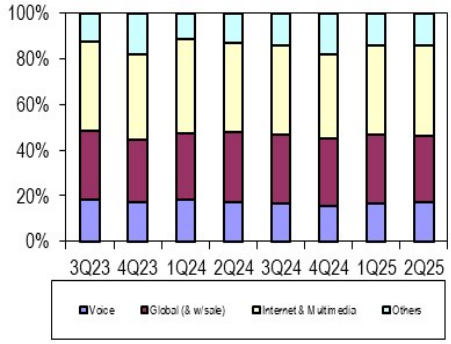
Source: TM, UOB Kay Hian

REVENUE AND EBITDA MARGIN



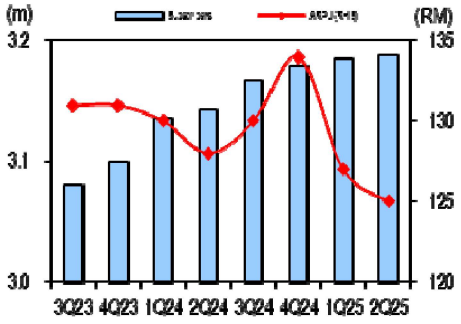
Source: TM, UOB Kay Hian

REVENUE BY SEGMENT



Source: TM, UOB Kay Hian

UNIFI SUBSCRIBER AND ARPU



Source: TM, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**11,712.4**	**12,525.4**	**13,015.7**	**13,532.8**
EBITDA	4,474.0	4,641.4	4,769.4	4,905.6
Deprec. & amort.	2,149.4	2,157.0	2,124.2	2,087.3
EBIT	2,324.6	2,484.3	2,645.3	2,818.3
Associate contributions	8.1	8.1	8.1	8.1
Net interest income/(expense)	(177.1)	(219.2)	(214.2)	(201.4)
Pre-tax profit	**2,177.2**	**2,273.3**	**2,439.2**	**2,625.0**
Tax	(138.3)	(545.6)	(585.4)	(630.0)
Minorities	(22.0)	(22.0)	(64.8)	(83.0)
Net profit	**2,016.9**	**1,705.7**	**1,789.0**	**1,911.9**
Net profit (adj.)	1,728.4	1,705.7	1,789.0	1,911.9

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	11,429.3	11,276.3	11,104.5	10,911.8
Other LT assets	2,795.7	2,803.8	2,811.9	2,820.0
Cash/ST investment	3,096.2	4,084.2	5,224.8	6,348.6
Other current assets	3,841.3	4,154.4	4,273.1	4,398.3
Total assets	**21,162.5**	**22,318.8**	**23,414.4**	**24,478.7**
ST debt	1,381.0	1,422.4	1,465.1	1,509.1
Other current liabilities	4,904.3	5,104.2	5,263.6	5,431.3
LT debt	2,109.9	2,491.1	2,783.1	2,979.2
Other LT liabilities	2,501.4	2,501.4	2,501.4	2,501.4
Shareholders' equity	10,099.7	10,611.4	11,148.1	11,721.7
Minority interest	166.2	188.2	253.0	336.0
Total liabilities & equity	**21,162.5**	**22,318.8**	**23,414.4**	**24,478.7**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**4,010.6**	**3,763.4**	**4,010.6**	**4,116.6**
Pre-tax profit	2,177.2	2,273.3	2,439.2	2,625.0
Tax	(138.3)	(545.6)	(585.4)	(630.0)
Deprec. & amort.	2,149.4	2,157.0	2,124.2	2,087.3
Associates	(8.1)	(8.1)	(8.1)	(8.1)
Working capital changes	(3.0)	(113.2)	40.7	42.5
Other operating cashflows	(166.6)	-	-	-
Investing	**(1,002.2)**	**(2,004.1)**	**(1,952.4)**	**(1,894.6)**
Capex (growth)	(1,589.0)	(2,004.1)	(1,952.4)	(1,894.6)
Investments	(36.7)	-	-	-
Others	623.5	-	-	-
Financing	**(2,708.5)**	**(771.3)**	**(917.6)**	**(1,098.3)**
Dividend payments	(1,176.9)	(1,194.0)	(1,252.3)	(1,338.3)
Issue of shares	0.5	-	-	-
Proceeds from borrowings	(1,272.3)	422.7	334.7	240.0
Others/interest paid	(259.8)	-	-	-
Net cash inflow (outflow)	**299.9**	**988.0**	**1,140.6**	**1,123.7**
Beginning cash & cash equivalent	**2,697.9**	**2,973.1**	**3,961.1**	**5,101.7**
Changes due to forex impact	(24.7)	-	-	-
Ending cash & cash equivalent	**2,973.1**	**3,961.1**	**5,101.7**	**6,225.5**

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	38.9	37.1	36.6	36.2
Pre-tax margin	38.4	38.0	39.1	40.2
Net margin	14.8	13.6	13.7	14.1
ROA	8.2	7.6	7.6	7.8
ROE	17.1	16.1	16.0	16.3
Growth				
Turnover	0.2	6.9	3.9	4.0
EBITDA	(0.6)	3.7	2.8	2.9
Pre-tax profit	20.4	4.4	7.3	7.6
Net profit	7.8	(15.4)	4.9	6.9
Net profit (adj.)	(4.0)	(1.3)	4.9	6.9
EPS	(4.0)	(1.3)	4.9	6.9
Leverage				
Debt to total capital	0.2	0.2	0.3	0.3
Debt to equity	0.3	0.4	0.4	0.4
Net debt/(cash) to equity	(0.0)	0.0	0.1	0.2
Interest cover (x)	5.4	5.4	5.0	4.8

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